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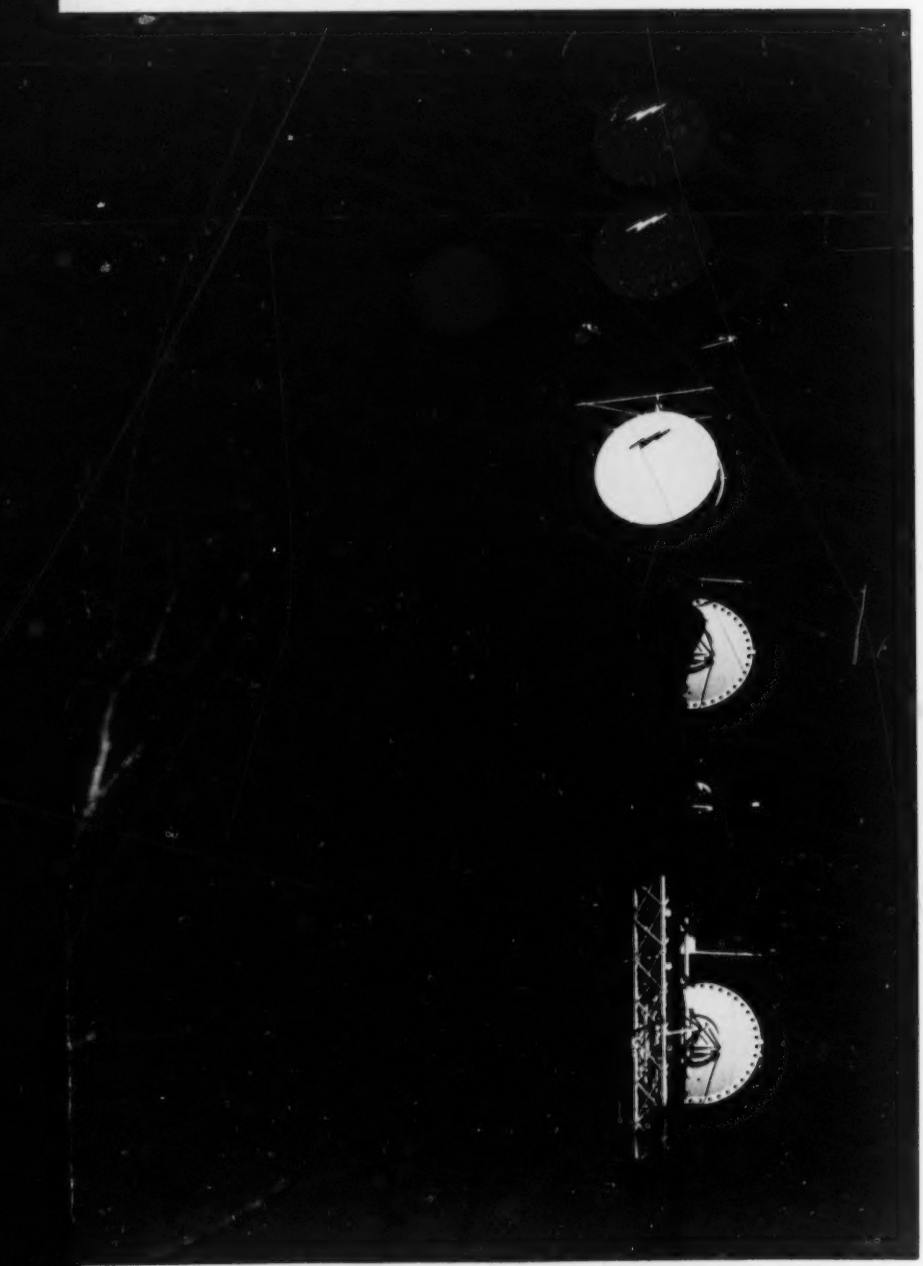
FEBRUARY 9, 1987

Telephony

COVERING TELECOMMUNICATIONS SINCE 1901



A LOOK AT THE LATEST IN MICROWAVE TECHNOLOGY

DOJ pushes freedom for RHCs

Red ink flows for AT&T, MCI

AT&T cuts private line rates

Rockwell enters digital loop carrier market

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Late Payment Charges

A Survey of State Policies

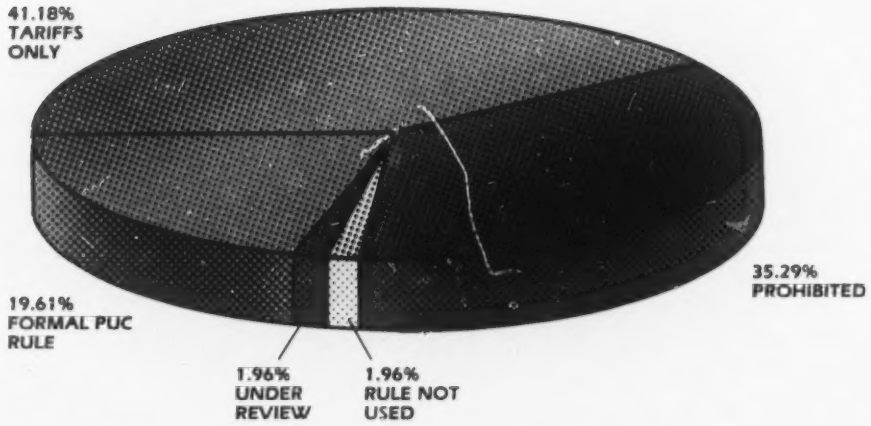

FIGURE 1 SUMMARY OF LPC RULES NATIONWIDE

KIM ROBERT SCOVILL

A LATE payment charge is a fee added to a delinquent subscriber's telephone bill to encourage prompt payment or to defray additional collection costs.

A survey initiated last September by Cincinnati Bell Telephone Co. compiled the status of state regulatory commission or LEC policies regarding LPCs. Fifty states and the District of Columbia were sampled and all responded. Many states were asked to verify the evaluation of their state's policy. Some telephone interviews also were conducted.

The study revealed that a slight majority of jurisdictions have either a formal rule giving regulatory sanction to LPCs, or LECs include such a policy in their tariff filings (Figure 1). In Arkansas, the state commission allows LPCs, but no telco currently applies the policy. A significant minority of states expressly prohibit the practice. Delaware and Kansas have the issue under investigation.

Most regulatory jurisdictions which prohibit LPCs are east of the Mississippi (Figure 2). The majority of these are in the Northeast. Organized by regions, the number of jurisdictions which allow or deny LPCs are outlined in Figure 3.

LPCs can vary from a percentage of the total bill to a flat fee—or some combination of both. They often appear as part of the total balance on the next bill. Of those states that have an LPC, most use 1.5% of the past due balance as the standard.

The remaining states that use percentages vary this amount from a low of 1% (North Carolina and Hawaii) to a high of 10% (Kentucky and Oklahoma). The second most popular form of LPC is a flat fee. Five states allow rates to vary among different companies within their jurisdictions (Kentucky, New Mexico, Oklahoma, Utah and Virginia).

An interesting new approach to the

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Kim Robert Scovill is a Staff Supervisor, External Affairs Division of Cincinnati Bell Telephone Co.

late payment question is being tried by Anchorage Telephone Utility, which last September proposed a tariff with a two-tier LPC. The tariff combined a one-time LPC, followed by a finance charge. A one-time charge of $6.15 is based on the actual administrative cost to the telco for sending out the late payment notices. A finance charge of 10.5% each year on the delinquent amount represents Anchorage Telephone Utility's cost of capital as set by the Alaska regulatory commission.

Almost 50% of the 32 states that allow LPCs apply them if a customer's bill remains unpaid at its due date. A smaller number of these states delay application until the next month's bill is readied. At the extreme, Hawaii delays the LPC until a past due bill is more than 60 days old.

As a general rule, if a late payment charge applies, it encompasses the customer's entire bill. Most states with LPCs follow this approach. Indiana, Maine, Oklahoma, South Dakota and Texas apply LPCs to local service and intrastate toll, but not to interstate toll. Pennsylvania applies its LPC only to local service charges.

Most states with an LPC policy do not have a minimum billing policy. Of those states' telcos that deduct a minimum balance, a deduction between $10 and $20 is typical. However, the minimum balance runs as high as $99, as it is in West Virginia.

LPCs appear to be a relatively recent development for telcos. Of the 32 states with LPCs, our survey contained starting dates for 21. The earliest enacted policy is North Carolina's, which was initiated in November 1972.

However, no telco filed a tariff under the North Carolina rule until 1983. Most states or telcos with LPC policies did not enact them until after 1983. Two were enacted that year, three in 1984, four in 1985, and five policies became effective before November 1986.

In summary, LECs are aware that good credit management is more than just good business: It keeps common costs down to the benefit of all customers. LPCs are now a fact of life in 60% of the states, and are one part of this credit management strategy. □

FIGURE 2 LPC RULES BY STATE

Alabama	Y 2	Montana	N
Alaska	Y 2	Nebraska	Y 1
Arizona	Y 2	Nevada	Y 2
Arkansas	Y NC	New Hampshire	N
California	Y 2	New Jersey	N
Colorado	N	New Mexico	Y 2
Connecticut	N	New York	Y 2
Delaware	I	North Carolina	Y 1
Dist. of Columbia	N	North Dakota	Y 2
Florida	Y 2	Ohio	Y 2
Georgia	N	Oklahoma	Y 2
Hawaii	Y 2	Oregon	Y 1
Idaho	N	Pennsylvania	Y 1
Illinois	Y 2	Rhode Island	N
Indiana	Y 1	South Carolina	Y 1
Iowa	Y 1	South Dakota	Y 2
Kansas	N/I	Tennessee	N
Kentucky	Y 2	Texas	Y 2
Louisiana	Y 1	Utah	Y 2
Maine	Y 1	Vermont	N
Maryland	N	Virginia	Y 2
Massachusetts	N	Washington	N
Michigan	N	West Virginia	Y 2
Minnesota	Y 2	Wisconsin	N
Mississippi	N	Wyoming	Y 2
Missouri	Y 1		

Y 1 = Formal PUC rule exists allowing late payment charges
Y 2 = Late payment charge policy in company tariffs only
I = Issue under investigation
Y NC = Formal PUC rule exists, but no company currently charges
N = No company may charge for late payment

FIGURE 3 REGIONS WITH LPC RULES

	Allow	Deny	Investigating	Total
Northeast	3	7	1	11*
South	9	3	0	12
Midwest	9	2	1	12
Mountain	3	3	0	6
Southwest	4	0	0	4
Pacific	5	1	0	6
TOTALS	**33**	**16**	**2**	**51**

* (Includes the District of Columbia)